

THE EXPERTS AGREE: EDUCATORS DESERVE A BETTER PLAN

BLOOMBERG: “As relatives of the 401(k) plan, 403(b)s are all too often ugly stepsisters. The plans are typically sold by brokers and insurance agents, carry above-average mutual-fund expenses and layers of other fees.”

BUSINESS WEEK: “While many corporate 401(k) plans have improved, offering more and better investment options at lower cost, so-called 457 plans for municipal workers and 403(b) plans covering teachers and employees of nonprofits remain dominated by costly variable annuities sold by insurers.”

CNNMONEY: “What especially galls consumer advocates is that the problems with index annuities have been known for years, but insurance regulators haven't done nearly enough to stop them.”

FORBES: “We are aware that certain investment advisory firms that focus upon 403(b) plans intentionally do not seek business in competitive environments; instead these firms prey upon groups in smaller, less sophisticated environments.” “Some firms pay first-year commissions as high as 9% to agents, who troll school campuses for prospects.”

MORNINGSTAR: “Large insurance companies that offer such annuities--the usual suspects--charge schoolteachers unconscionable fees ranging from 200 to 500 basis points in exchange for poorly performing investment products and services provided by salespeople disguised as ‘financial planners.’ This is just about the ultimate in fleece jobs since under that kind of investment cost structure it's nearly impossible for plan participants to accumulate much of a nest egg.”

THE MOTLEY FOOL: “Schoolteachers often have poor choices for retirement investing. While some are lucky enough to have low-cost plans from providers like TIAA-CREF, Fidelity, or Vanguard, others don't have great options for their tax-deferred retirement savings.”

U.S. GOVERNMENT ACCOUNTABILITY OFFICE (GAO)

“While sponsors of some plans often take actions such as pooling assets to obtain pricing advantages, sponsors of 403(b) plans often do not. As a result, participants in 403(b) plans can end up paying higher fees than participants in other DC plans.”

USA TODAY: “With 401(k) plans, employers are responsible for selecting and monitoring investment options. But school districts do not have control of 403(b) plans, and that puts more pressure on workers to make the best retirement decisions, says Alessandra Hobler, analyst at Cerulli Associates.

THE WALL STREET JOURNAL: “Returns on 403(b) plans often are eroded by fees that are double or triple 401(k) fees, and most penalize switching investments in the early years. Critics say the lack of regulatory and employer oversight makes them vulnerable to abuse.” “These investments are pitched by insurance salesmen who are allowed to wander schoolhouse halls. Salesmen can earn twice as much selling high-cost annuities as they can selling mutual funds. Sales contests featuring luxury cruises, trips to Hawaii or other prizes provide added incentives. Generally, such contests are forbidden by NASD rules in the mutual-fund industry.”